



ANNUAL USE OF CAPITAL SURVEY - 2009

NAME OF INSTITUTION

(Include Holding Company Where Applicable)

ColoEast Bankshares, Inc.

Person to be contacted regarding this report:	Steve Sherlock
CPP Funds Received:	\$10,000,000
CPP Funds Repaid to Date:	\$0
Date Funded (first funding):	2/13/2009
Date Repaid ¹ :	

RSSD: (For Bank Holding Companies)	2146359
Holding Company Docket Number: (For Thrift Holding Companies)	
FDIC Certificate Number: (For Depository Institutions)	3027
City:	lamar
State:	Colorado

¹If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP). To answer that question, Treasury is seeking responses that describe generally how the CPP investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP investment was deployed or how many CPP dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP funds were outstanding).

<input type="checkbox"/> Increase lending or reduce lending less than otherwise would have occurred.	The introduction of CPP funds has allowed the bank to remain nearly the same in total loans over the last 12 months (\$530 million 2-09 vs \$529 million 3-10) while providing us with the Capital to grow the bank through core deposits which dramatically decreased our liquidity exposure.
--	---

<input type="checkbox"/>	<p>To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).</p>	<p>Although we reflect no gain in loan volume, the CPP strengthened capital allowing us to shift funds from problematic Commercial RE loans into residential mortgages and agricultural loans from a failed bank's loan portfolio within our trade area.</p>
<input type="checkbox"/>	<p>Increase securities purchased (ABS, MBS, etc.).</p>	<p>The CPP funds added additional strength and stability to our capital allowing the bank to realize gains in the MBS investments further adding to the capital strength of the bank and reinvest in a shorter maturity ladder of Agency investments to fund future loan demand as the economy improves.</p>
<input type="checkbox"/>	<p>Make other investments</p>	<p>No other investments have been made at this time however, the CPP funds provide us with the potential to merge another bank should one become available within our footprint.</p>
<input type="checkbox"/>	<p>Increase reserves for non-performing assets</p>	<p>As capital is strengthened, the ability to remove additional income from earnings to loan reserves not only becomes easier to accomplish but also a strong business move. We were able to increase loan loss reserves by nearly \$2.5 million thus providing for additional loss reserves if called upon.</p>

<input type="checkbox"/>	Reduce borrowings	<p>The CPP funds allowed us to accept additional core deposits which were leaving Wall Street and coming back to our trade area. This increase in deposits provided funds to reduce our wholesale borrowings to nearly zero and improved our liquidity which contributes greatly to a sound bank.</p>
<input type="checkbox"/>	Increase charge-offs	<p>To date we have not had a need to increase charge-offs above our earlier projections however, our increase to the loan loss reserve through a shift of earnings to cover market driven loan impairments was made possible by a stronger capital position which resulted from the CPP funding.</p>
<input type="checkbox"/>	Purchase another financial institution or purchase assets from another financial institution	<p>The CPP funding has positioned our bank as a potential purchaser of banks within our footprint should the opportunity arise. With this additional capital, a problem bank might now be merged without liquidation thus preventing an area bank closure and retaining the merged bank's capital.</p>
<input type="checkbox"/>	Held as non-leveraged increase to total capital	<p>We have elected to leverage the CPP funds as described above primarily to position ourselves for an increase in loan demand as it occurs in this recovering economy.</p>

What actions were you able to avoid because of the capital infusion of CPP funds?

The principle action we were able to avoid was the gathering of additional capital. Privately held community banks such as ours have found it difficult if nearly impossible to raise capital in this economic environment. Approval for our participation in the CPP has spared us this research and possibly sharing the same fate. As indicated in previous comments, we have leveraged these funds to continue to service the loan needs in our trade areas, provide additional liquidity to further secure the safety and soundness of our bank, increase our reserve for loan losses and hold expectable capital for a potential merger if the opportunity presents itself.

What actions were you able to take that you may not have taken without the capital infusion of CPP funds?

These actions would be the same as discussed above. The primary action without the CPP funds would have been our reluctance to increase the loan loss reserve to the degree we accomplished. This capital injection allowed us to fund the account more quickly than would otherwise been possible. Thus the CPP funds provided us with the capital protection necessary to absorb this recession and continue to service our customers. This funding further secures our bank's safety by providing stability necessary for our communities and continued credit availability for our customers.

Please describe any other actions that you were able to undertake with the capital infusion of CPP funds.

A large, empty rectangular box with a thin black border, intended for a response. The box is currently blank, showing only the background color of the page.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 1505-0222. The time required to complete this information collection is estimated to average 80 hours per response.